

## Example of Notes to the Accounts

### The Owners Incorporation of XXX Building

#### Notes to the Accounts

#### 1. Significant Accounting Policies

##### (a) Statement of Compliance

These accounts have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants, and accounting policies generally accepted in Hong Kong. A summary of the significant accounting policies adopted by The Owners Incorporation of XXX Building is set out below.

##### (b) Basis of Preparation of the Accounts

- (i) The purpose and use of the General Fund and the Contingency Fund are approved by The Owners' Incorporation of XXX Building in the annual general meeting.
- (ii) The measurement basis used in the preparation of the accounts is historical cost basis.

##### (c) Fixed Assets

Fixed assets of The Owners Incorporation of XXX Building are stated at cost less accumulated depreciation.

Depreciation on fixed assets is calculated using the straight-line method (see Note 3).

##### (d) Accounts Receivable and Prepayments

Accounts receivable and prepayments are recognized at fair value less allowance for impairment of doubtful debts.

##### (e) Contingency Fund

The initial contributions to the contingency fund represents amounts received from the first owners at the dates of purchase of their respective units and are non-refundable. The charge for the year is in accordance with approved budgets at the beginning of the financial year. The fund is utilized for major works of a capital nature of the building and payment on account of such sum of manager's remuneration in respect of any expenditure out of the contingency fund.

##### (f) Management Fee Deposits

Management fee deposits represent 3 months management deposits received from the first purchasers. The purpose of collecting such management fee deposits is to comply with the deed of mutual covenant.

**(g) Interest Income**

Interest income from bank deposits is accrued using the effective interest method. Time deposits interest earned on the balances of the General Fund, Contingency Fund and Special Fund are credited to the respective funds.

**(h) Related Parties**

For the purposes of these accounts, a party is considered to be related to the Manager / Owners' Incorporation of XXX Building if :

- (i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Management Committee members / Manager or exercise significant influence over the Management Committee members / Manager in making financial and operating policy decisions; or
- (ii) the party is a subsidiary, an associate of the Manager or a joint venture in which the Manager is a venturer.

**2. Management Fees**

Management fees collected are allocated to the General Fund for day-to-day estate management and to the Contingency Fund to provide for maintenance and replacement of major capital items :

	2XX1 HK\$	2XX0 HK\$
General Fund	x,xxx,xxx	x,xxx,xxx
Contingency Fund	x,xxx,xxx	x,xxx,xxx
<b>Total Management Fees</b>	x,xxx,xxx	x,xxx,xxx

**3. Depreciation**

Depreciation is charged at xx% per annum on cost of the asset using the straight-line method.

	Car HK\$	Furniture and Fixtures HK\$	Office Equipment HK\$	Total HK\$
Cost at 1.1.2XX1	200,000	80,000	100,000	380,000
Accumulated Depreciation	100,000	40,000	50,000	190,000
<b>Net Book Value at 1.1.2XX1</b>	100,000	40,000	50,000	190,000
Depreciation in 2XX1	20,000	8,000	10,000	38,000
<b>Net Book Value at 31.12.2XX1</b>	80,000	32,000	40,000	152,000

**4. Manager's Remuneration**

Manager's remuneration is payable to XXX Limited as Manager and is calculated at x% (2XX0 : x%) of the total management expenses for the year, in accordance with the provisions of the management agreement.

**5. Taxation**

The Owners Incorporation of XXX Building are deemed not to carry on business under Section 24(1) of the Inland Revenue Ordinance and therefore exempted from Hong Kong Profits Tax.

The above format, figures and wording of the Sample Notes to Accounts are for illustrative purpose only. It is not intended to cover all disclosures required by the HKFRS.